



DECEMBER 22, 2020

PROJECT NO: 16-102
VIA US MAIL

CERTIFIED MAIL NO. 7015 3430 0000 7203 2083
RETURN RECEIPT REQUESTED

Ms. Carol Stein
U.S. Environmental Protection Agency – Region 2
290 Broadway
New York, NY 10007-1866

CERTIFIED MAIL NO. 7015 3430 0000 7203 2106
RETURN RECEIPT REQUESTED

Mr. Jean Pierre Oriol
Commissioner
Virgin Islands Department of Planning and Natural
Resources
45 Mars Hill
Frederiksted, VI 00840

CERTIFIED MAIL NO. 7015 3430 0000 7203 2090
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Mr. Donald G. Frankel
Department of Justice
Suite 236
Environmental Enforcement Section
408 Atlantic Avenue
Boston, MA 02110

CERTIFIED MAIL NO. 7015 3430 0000 7203 2113
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Ms. Denise N. George, ESQ.
Attorney General
For the United States Virgin Islands
Department of Justice
Office of the Attorney General
334-38 Kronprindsens Gade
GERS Building, 2nd Floor
St. Thomas, Virgin Islands 00802

RE: Proposed 2021 Budget
Bankruptcy Case No. 1: 15-bk-10003-MFW; EPA ID No. VID980536080

Dear Ms. Stein, Mr. Oriol, Mr. Frankel, Ms. George:

The HOVENSA Environmental Response Trust (ERT) has completed an estimated budget for 2021 in accordance with Section 3.2 of the February 17, 2016 ERT Agreement. This estimated budget is built upon known costs from the ERT's routine operating expenses. As per the ERT Agreement, additional Agency approval is required for any deviation by more than ten percent of the agreed upon budget.

Estimated expenditures for the ERT's scope of work, as per the ERT Agreement, is \$6,161,290. As discussed in the Corrective Action Semiannual Reports, Limetree¹ operations may have impacted the site, and, as such, Limetree has been reimbursing the ERT for work at affected wells; the budget estimate for 2021 work at these affected wells is \$584,308. Combined, the estimated budget for both the ERT scope of work and for the areas where Limetree has been reimbursing the ERT is \$6,745,598. The wind-down budget established by the ERT does not include funding for work associated with potential impacts from Limetree or any other entity. The

¹ Limetree Bay Terminals, LLC and Limetree Bay Refining, LLC operate at the former HOVENSA site. Both companies are indirectly owned by Limetree Bay Ventures, LLC and are collectively referred to as "Limetree."

HOVENSA Environmental Response Trust

Ms. Stein, Mr. Oriol, Mr. Frankel, Ms. George
US EPA, VI DPNR, US DOJ, VI AG

December 22, 2020
Page 2

estimated budget for work at affected wells is included in the estimated expenditures for 2021 because, at this time, the ERT pays its contractors for the work performed and then seeks reimbursement from Limetree. The ERT requires authorization for these expenditures in the estimated amount of \$584,308.

The estimated budget for 2021 is contingent on multiple assumptions including no destructive hurricanes or other natural disasters in 2021 as well as no substantial repairs or replacement of equipment and the successful restart and operation of Limetree's refinery. Budget details are provided in the enclosed **Table 1**.

Of the \$6,745,598 estimated budget for 2021, \$1,860,000 for the Recycle Yard (budget line 2) is carried forward from 2020. The estimated expense budget for work other than the Recycle Yard project is \$4,885,598. Work has begun on the clean-out of the former HOVENSA, L.L.C. Recycle Yard located in the southeast portion of the site, and the ERT has not yet incurred any charges for this work. A total of 1,773 metric tons has been removed from the recycle yard since 2016 and the ERT has not incurred any expenses for the work completed thus far. Per agreement with the contractor, recyclable materials that belong to the contractor, such as scrap metal, are being removed first; the ERT will begin incurring charges when tires, hoses and non-recyclable materials are removed from the area.

The wind-down budget established by the ERT Agreement does not include funding for work associated with remediation of the former St. Croix Petrochemical Corporation (SCPC) site. The ERT anticipates discussions regarding the SCPC site will continue in 2021 and resulting legal fees will be incurred by the ERT. The ERT is contemplating drawing down budget line item 29 (Business Operating Expenses) for fees associated with SCPC and a supplemental request will be made if the proposed 2021 budget for this line item is not sufficient to cover fees resulting from SCPC discussions.

Funding for the ERT is provided by four different sources: 1) Accounts established by the ERT ("ERT Accounts"); 2) Two RCRA Financial Assurance (FA) Trusts administered by the EPA ("RCRA FA Trusts"); 3) Up to thirty million dollars provided by Limetree Bay Terminals, LLC ("Limetree") as per the January 4, 2016 Asset Purchase Agreement; and 4) An Escrow account established specifically to fund the Virgin Islands Territorial Supplemental Environmental Project (TSEP) as per the terms of the Consent Decree (Case No. 1:11-cv-00006). Estimated 2021 expenditures for each funding source are summarized below and details are provided in the enclosed **Table 1**.

HOVENSA Environmental Response Trust

Ms. Stein, Mr. Oriol, Mr. Frankel, Ms. George
US EPA, VI DPNR, US DOJ, VI AG

December 22, 2020
Page 3

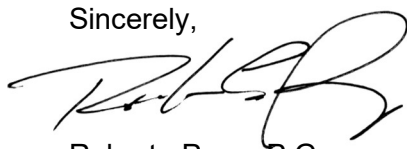
Funding Source	2021 Estimated Expenditures	Available Funding	Funding Intent
ERT Accounts	\$423,898	\$1,347,667 ²	Working accounts for the ERT
RCRA FA Trusts	\$1,996,000	\$33,711,854 ³	As specified for designated SWMUs and AOCs & Landfarm Post-Closure Care
Limetree	\$4,325,700	\$18,928,747 ⁴	For ERT expenses not covered by the RCRA FA Trusts
CD Escrow	\$4,556,573	\$4,556,573 ⁵	Solely for the VI TSEP

The ERT remains on target with its current forecast, which was reviewed with EPA and the US DOJ in September of this year. As discussed during the September meeting, the forecast and each annual budget are based on many assumptions such as, but not limited to, rates for wastewater treatment and other shared services from Limetree, no impacts from hurricanes and that Limetree will restart and continue to operate the refinery; changes in any of the assumptions will affect the forecast and annual budgets.

We respectfully request written approval of the budget from each Agency as soon as possible to ensure continued compliance with the ERT Agreement. For your convenience, **Table 1** lists each of the line items in the Wind Down Cost Estimate and specifies which line item each Agency is required to approve as per section 7.13 of the ERT Agreement.

We are available to meet with each Agency individually or collectively to discuss the 2021 estimated budget. If additional information is required, please contact Carey Guilbeau at (340) 692-3179.

Sincerely,



Roberto Puga, P.G.

Agent of PathForward Consulting, Inc., solely in its capacity as Trustee for the HOVENSA Environmental Response Trust

² Available funding as of December 17, 2020.

³ To date, there has been one disbursement from the Landfarm RCRA Financial Assurance Trust. The balance listed in this table is the combined balance remaining in the Landfarm and Corrective Action Financial Assurance Trusts.

⁴ To date, the ERT has invoiced Limetree Bay Terminals, LLC a total of \$15,315,630.82 and has returned \$4,806,378.34 to Limetree leaving a balance of \$18,928,747.52 available to the ERT. Of the amount invoiced to date, \$5,444,175.82 was invoiced to cover expenses for work completed in the units covered by the RCRA Financial Assurance Trusts; \$4,806,378.34 has been returned to Limetree. As per the ERT Agreement, when EPA releases additional funds from the RCRA Financial Assurance Trusts, any RCRA funds borrowed from Limetree must be returned to Limetree and the amount of funds available to the ERT will increase accordingly. As of the date of this letter, the ERT must return \$637,797.48 to Limetree when funds are released from the RCRA Financial Assurance Trusts.

⁵ To date, \$318,427 has been disbursed from the Consent Decree Escrow Account; It is understood that the funds in this Escrow Account are to be utilized by DPNR at their discretion and in accordance with the terms of the Consent Decree.

HOVENSA Environmental Response Trust

Ms. Stein, Mr. Oriol, Mr. Frankel, Ms. George
US EPA, VI DPNR, US DOJ, VI AG

December 22, 2020
Page 4

Enclosure

cc: Ms. Amy Chester, EPA Region 2 (Chester.Amy@epa.gov)
Mr. William Sawyer, EPA Region 2 (Sawyer.William@epa.gov)
Ms. Flaire Mills, EPA Region 2 (Mills.Flaire@epa.gov)
Mr. Nidal Azzam, EPA Region 2 (Azzam.Nidal@epa.gov)
Mr. Adolph Everett, EPA Region 2 (Everett.Adolph@epa.gov)
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Ms. Kathlyn Worrell-George, VIDPNR (Kathlyn.Worrell-George@dpnr.vi.gov)
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Washington, DC 20044-7611
Ref: DOJ No. 90-5-2-1-08229/2

Table 1. HOVENSA Environmental Response Trust 2021 Budget

DRAFT

Approval Authority	ERT Account	ERT Agreement Wind Down Estimate Line Items		ERT Account				RCRA Financial Assurance Trusts (Administered by EPA)				Limetree (As per Section 7.33 of the Asset Purchase Agreement)				2021 Totals				Consent Decree Escrow
				Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2021	Q2 2021	Q3 2021	Q4 2021	ERT Accounts	RCRA Financial Assurance	Limetree	2021 Totals	
EPA	Remediation	1	PRPP - OWS Testing & Repair									\$10,000	\$10,000	\$10,000	\$10,000			\$40,000	\$40,000	
EPA	Remediation	2	Scrap Metal / Recycle Yard Management									\$465,000	\$465,000	\$465,000	\$465,000			\$1,860,000	\$1,860,000	
EPA	Remediation	3	Asbestos Landfill																\$0	
EPA	Remediation	4	Corrective Action / Remediation / Hydrocarbon Recovery					\$262,000	\$262,000	\$262,000	\$262,000	\$532,000	\$532,000	\$532,000	\$532,000		\$1,048,000	\$2,128,000	\$3,176,000	
EPA	Remediation	5	Landfarm 1 Post-Closure					\$11,000	\$11,000	\$11,000	\$11,000	\$0	\$0	\$0	\$0		\$44,000		\$44,000	
EPA	Remediation	6	Landfarm 2 & 3 (Post-Closure) / RCRA Permit					\$31,000	\$31,000	\$31,000	\$31,000	\$5,000	\$5,000	\$5,000	\$5,000		\$124,000	\$20,000	\$144,000	
DPNR	Remediation	7	TPDES																\$0	
EPA	Remediation	8	WWT (Primary & Secondary)					\$195,000	\$195,000	\$195,000	\$195,000						\$780,000		\$780,000	
US/VI ¹	Administrative	9	Data & Records Management & Retention									\$15,300	\$15,300	\$15,300	\$ 15,300			\$ 61,200.00	\$61,200	
DPNR	Remediation	10a	Consent Decree - VI TSEP ²																\$0	\$4,556,573
EPA		10b	Consent Decree - WAPA Project ²	\$423,898												\$423,898			\$423,898	
DPNR	Remediation	Line 11	Air Permitting / Title V																\$0	
EPA	Remediation	Lines 12 - 24	Tier II, TRI / EI, TSCA, BWON, GHGs, CEMs, Boiler MACT, LDAR, Refinery MACTs, Regional Haze, SO2 non-attainment, SOCM-I-HON, Tank Requirements																\$0	
EPA / DPNR	Remediation	Line 25	Potable Water / SDWA																\$0	
US/VI ¹	Administrative	26	Utilities: Electric																\$0	
US/VI ¹	Administrative	27	Utilities: Compressed Air & Water									\$1,625	\$1,625	\$1,625	\$1,625			\$6,500	\$6,500	
US/VI ¹	Administrative	28	Security																\$0	
US/VI ¹	Administrative	29	Business Operating Expenses									\$17,500	\$17,500	\$17,500	\$17,500			\$70,000	\$70,000	
DPNR	Remediation	30	PLL Insurance Premium																\$0	
US/VI ¹	Administrative	31	Fees for Trust and Trustee									\$35,000	\$35,000	\$35,000	\$35,000			\$140,000	\$140,000	
DPNR	Remediation	N/A	Marine Impact Study																\$0	
TOTALS				Q1 2021 \$423,898	Q2 2021 \$0	Q3 2021 \$0	Q4 2021 \$0	Q1 2021 \$499,000	Q2 2021 \$499,000	Q3 2021 \$499,000	Q4 2021 \$499,000	Q1 2021 \$1,081,425	Q2 2021 \$1,081,425	Q3 2021 \$1,081,425	Q4 2021 \$1,081,425	\$423,898	\$1,996,000	\$4,325,700	\$6,745,598	\$4,556,573
Total Expenditures (Excludes VI TSEP)																			\$6,745,598	
Limetree Remediation Expenditures																			\$584,308	
ERT Expenditures																			\$6,161,290	

Notes:
¹ This approval requirement (Section 7.13.5 of the ERT Agreement) is interpreted to mean the U.S. represented by U.S. DOJ and the VI represented by the Virgin Islands Attorney General.
² These expenditures are subject to the terms of the Consent Decree between HOVENSA, L.L.C. and the United States of America (Civil Action No. 1:11-cv-00006)